

INTERNATIONAL SHOE CO.

MANUFACTURERS

1501-1509 Washington Avenue

St. Louis, Mo.

NOVEMBER 30, 1927

BOARDS
938.53
1256

OFFICERS

JACKSON JOHNSON	Chairman of the Board
F. C. RAND	President
H. W. PETERS	Vice President
W. H. MOULTON	Vice President
HORTON WATKINS	Vice President
J. T. PETTUS	Vice President
C. D. P. HAMILTON	Vice President
THEODORE MORENO	Vice President
A. W. JOHNSON	Vice President
F. A. SUDHOLT	Treasurer
D. E. WOODS	Secretary
B. A. GRAY	Auditor
W. N. SITTON	Asst. Treasurer

DIRECTORS

B. A. GRAY	H. W. PETERS
H. R. GREEN	J. T. PETTUS
FRED HUME	F. C. RAND
H. S. JAMISON	C. REESE, JR.
P. B. JAMISON	W. L. SHAW
H. E. JENKINS	H. C. STRIBLING
A. W. JOHNSON	F. A. SUDHOLT
JACKSON JOHNSON	S. M. TIPTON
W. P. MASON	GRIFFIN WATKINS
T. MORENO	HORTON WATKINS
W. H. MOULTON	D. E. WOODS
E. H. PETERS	

MAY 27-32 OTIS H5

December 29th, 1927.

TO OUR STOCKHOLDERS:

Financial report showing the results of the International Shoe Company's operation for the fiscal year ended November 30th, 1927, is enclosed herewith.

The Company's net sales to customers for the fiscal year ended November 30th, 1927, were \$124,806,333.83. Our subsidiary plants (such as tanneries of sole leather and upper leather, rubber and leather heel factories, box toe, carton and container, chemical, rubber cement, etc.) produced during 1927, shoe materials and shoe supplies amounting to \$64,722,096.02, which, combined with our sales, made an aggregate of \$189,028,429.85 business transacted.

Net earnings (after taxes) for the fiscal year were \$17,698,457.18.

A substantial part of the earnings of the Company is derived from our subsidiary plants. Those earnings are not entirely reflected by accounting; for materials produced in our plants are more uniform in quality and in our opinion are superior to materials bought in the open market. They are charged into our shoes at costs below market prices.

The factories produced for the year 51,377,842 pairs of shoes—an increase of 4,167,596 pairs over the largest previous year.

Hide and leather prices have shown steady advances throughout the year. Some advances have been made in our shoe prices; but they have been less than advances paid for hides and leather would have warranted. By striking averages between "materials on hand" and "current market prices" we have been able to keep our shoe prices constantly below replacement values. This plan has enabled us to give to our customers a fair division of the appreciation of "materials on hand" during the upward price movement of hides and leather; but shoe prices must advance further, unless there be a decline in hide prices.

While the Company's increase in earnings is due partially to the advance that has taken place in the price of merchandise, of which we carry a stock approximating \$30,000,000.00, the larger part of this increase is due to the increase in volume of business, particularly in our subsidiary plants, and to the greater efficiency with which the Company has operated.

During the year the Philadelphia Sole Leather Plant, purchased by the Company in December, 1926, has been in steady operation and has produced leather of excellent quality.

The Rubber Heel Plant at Hannibal has demonstrated its worth to the Company not only in the quality of heels produced but also in economies effected. This plant has been enlarged and to it has been added equipment for producing our own make rubber soles.

We have leased a building in Chicago where we will open a general distributing branch, similar to those now in operation in St. Louis, Boston and New York. This branch will be opened as soon as we can get possession of the building and make repairs necessary for our occupancy.

Plans have been prepared and construction will begin quite soon on another tannery at Wood River, Illinois, comparable in size to our present plant. We are planning also to build another split finishing plant at the same point. The Company is contemplating building a cotton mill for production of shoe linings, and other fabrics used in its various manufacturing enterprises. We also contemplate the building of a mill to produce our shoe laces. This will probably be located in the same locality with the cotton mill.

The numerous economies resulting from the increased production of materials used in shoe manufacturing not only prove the wisdom of this development but encourage us to increase it as indicated above.

Federal Taxes under Excess Profit Tax Regulations presented many complications—but all Federal Income Tax matters of the Company, except current taxes for 1927, have been adjusted satisfactorily and settled.

In accordance with the plan proposed by your Directors and approved by the stockholders on October 26th, an exchange of four shares of new Common stock was made for one share of the old issue. The dividends set aside for January 1st, 1928, are on a basis of \$2.00 per share per year on the new stock (or \$8.00 per share per year on the old as compared with \$7.00 per share paid in 1927).

During the year 20,000 shares of Common stock were issued for sale to the Company's valued employees. This recognition of efficient service and loyalty to the Company's best interest is in keeping with our policy to build and maintain a strong organization for the continued successful operation of the Company.

The year 1927 has set a new high record in volume and earnings for the Company. The increased volume of our business, both in dollars and in the number of pairs of shoes sold, is evidence that your Company is conducted on sound principles. This expression of public appreciation of sound values in footwear is very gratifying and represents a good-will which is among the Company's most valued assets.

We enter the New Year with confidence that by holding to the same principles we shall have continued success.

Respectfully submitted,

INTERNATIONAL SHOE COMPANY.

Jackson Johnson Frank C. Rand

President.

Chairman of the Board.

INTERNATIONAL

CONSOLIDATED

As at November 30, 1925

ASSETS

CURRENT ASSETS:

Cash in Banks and on Hand.....	\$	3,876,349.15
Brokers Collateral Loans, secured by Listed Marketable Securities.....		12,250,000.00
Accounts Receivable:		
Customers, less Reserve for Discounts and Doubtful Accounts.....	\$	20,351,317.05
Salesmen's Traveling Advances and Sundry Accounts.....		189,797.02
Notes Receivable.....		86,276.00
		<u>20,627,390.07</u>
Inventories:		
Manufactured Merchandise.....		11,233,516.32
Raw Materials, Merchandise in Process and Supplies.....		20,134,014.61
		<u>31,367,530.93</u>
TOTAL CURRENT ASSETS.....		68,121,270.15
Employees Notes Receivable (under Installment Plan for Purchase of Stock), secured by 1,840 shares of Preferred and 98,544 shares of Common Stock.....		3,059,661.40
Expenses Paid in Advance—Insurance Premiums, Taxes, and Other Deferred Charges to Operations.....		295,747.50
Investments in Stocks and Bonds of Other Companies.....		225,083.62
Physical Properties at Tanneries, Shoe Factories, Supply Departments and Sales Branches (Based on Appraisal as of April 30, 1925, plus subsequent Additions at Cost):		
Land and Water Rights.....		1,693,467.93
Buildings and Structures.....		19,643,950.35
Machinery and Equipment.....		15,319,833.72
Lasts, Patterns and Dies.....		1.00
		<u>36,657,253.00</u>
Less—Reserve for Depreciation.....		11,189,939.43
Net Depreciated Sound Value of Physical Properties.....		<u>25,467,313.57</u>
TOTAL.....	\$	<u>97,169,076.24</u>

SHOE COMPANY

BALANCE SHEET

ber 30, 1927

LIABILITIES

CURRENT LIABILITIES:

Accounts Payable for Merchandise, Expenses, and Payrolls.....	\$ 2,919,056.89
Officers and Employees Balances and Deposits.....	474,271.25
TOTAL.....	<u>3,393,328.14</u>
Reserve for Income and Other Taxes.....	2,800,000.00
TOTAL CURRENT LIABILITIES.....	<u>6,193,328.14</u>
Reserve for Dividends on Preferred Stock.....	50,000.00
Insurance Reserves.....	241,828.06

CAPITAL STOCK:

Preferred—6% Cumulative:

Authorized 250,000 shares of \$100.00 each, whereof Outstanding — 100,000 shares.....	\$ 10,000,000.00
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Common Stock:

Authorized 4,000,000 shares without nominal or par value, whereof Issued and Outstanding — 3,760,000 shares.....	<u>80,683,920.04</u>
TOTAL CAPITAL STOCK.....	90,683,920.04

Contingent Liabilities—None.

TOTAL.....	<u><u>\$ 97,169,076.24</u></u>
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INTERNATIONAL SHOE COMPANY

INCOME ACCOUNT

For the year ended November 30, 1927

Net Sales of Shoes and Other Manufactured Merchandise, after deduction of Returns and Allowances for Prepayments.....	\$124,306,333.83
Cost of Shoes and Merchandise Sold, after charging Operating Expenses, Depreciation (\$1,244,691.41), and Maintenance of Physical Properties, Selling, Administrative and Warehouse Expenses, and Credit Losses—Less Discounts on Purchases and Other Miscellaneous Earnings.....	103,827,701.69
Interest Charges on Notes Payable.....	Nil
NET EARNINGS.....	<u>20,478,632.14</u>
Provision for Income Taxes.....	2,780,174.96
NET INCOME FOR YEAR.....	<u><u>\$ 17,698,457.18</u></u>

COMMON STOCK CAPITAL ACCOUNT

(INCLUDING UNDISTRIBUTED EARNINGS)

Net Income for year ended November 30, 1927.....	\$ 17,698,457.18
Deduct—Dividends Paid:	
Preferred Stock—\$6.00 per share.....	\$ 600,000.00
Common Stock (Old)—\$7.00 per share.....	<u>6,545,000.00</u>
	<u>7,145,000.00</u>
Excess of Net Income over Dividends.....	10,553,457.18
Common Stock Issued for Sale to Employees as of January 2, 1927—20,000 shares (Old).....	2,856,750.00
Equity of Common Stockholders at November 30, 1926, against which 920,000 shares (Old) without Nominal or Par Value were outstanding.....	<u>67,273,712.86</u>
Equity of Common Stockholders (3,760,000 shares—New) at November 30, 1927.....	<u><u>\$ 80,683,920.04</u></u>

PEAT, MARWICK, MITCHELL & Co.
ACCOUNTANTS AND AUDITORS

CERTIFICATE OF AUDITORS

ST. LOUIS, MO., December 22, 1927.

We have audited the books and accounts of the International Shoe Company and Subsidiaries, for the year ended November 30, 1927, and certify that the accompanying Balance Sheet and Income Account have been prepared therefrom and, in our opinion, correctly present the financial position of the Company at November 30, 1927, and the results of its operations for the year then ended.

The cash and bank balances, and notes and securities owned have been verified by count or inspection or by certificates obtained from the depositories. We have satisfied ourselves that adequate provision has been made for doubtful accounts and notes receivable.

The quantities and valuation of the inventories of manufactured merchandise, raw materials and supplies, prepared by the Companies, have been certified to be correct by responsible officials. We have satisfied ourselves that the valuation was made on the basis of cost or market price, whichever was the lower.

All ascertained liabilities have been included in the accounts.

The physical properties are stated in accordance with the sound value thereof as determined by the American Appraisal Company as at April 30, 1925, plus subsequent additions at cost and after deduction of depreciation. Adequate charges against operations of the year under review have been made in respect of depreciation and maintenance of physical properties.

PEAT, MARWICK, MITCHELL & CO.

SALES BRANCHES

ST. LOUIS

Roberts, Johnson & Rand
Peters
Friedman-Shelby
Continental Shoemakers
Midvale Shoe Co.

NEW YORK

Morse & Rogers

BOSTON

Hutchinson-Winch

MANCHESTER, N. H.

Great Northern Shoe Co.
Interstate Shoe Co.

SHOES FACTORIES AND SUPPLY DEPARTMENTS

MISSOURI

St. Louis
Hickory St. & Mississippi Ave.
Broadway, Cherokee St. & Lemp Ave.
St. Louis & Jefferson Aves.
Thirteenth & Mullanphy Sts.
Twelfth & North Market Sts.
Jefferson Ave. & Madison St.
Glasgow Ave. & North Market St.
3417 Locust St.
1324 Washington Ave.
Bland
Cape Girardeau
Chamois
De Soto
Hannibal
Seventh & Collier Sts.
S. W. Cor. Maple Ave. & Collier St.
S. E. Cor. Maple Ave. & Collier St.
Hermann
Higginsville
Jackson
Jefferson City
Bolivar & McCarty Sts.
Main & Linn Sts.
Kirksville
Marshall
Mexico
Perryville
St. Charles
St. Clair
Sikeston
Sullivan
Sweet Springs
Washington

ILLINOIS

Belleville
Chester
Evansville
Flora
Jerseyville
Mt. Vernon
Olney
Pittsfield
Springfield
Steeleville

NEW HAMPSHIRE

Claremont
Keene
Manchester
Central Plant
Cohas Factory
Eastside Factory
Derryfield Factory
Merrimack
Nashua
Newport

KENTUCKY

Paducah

TANNERIES

ILLINOIS

South Wood River

MISSOURI

St. Louis
Thirteenth & Mullanphy Sts.

NEW HAMPSHIRE

Manchester

NORTH CAROLINA

Morganton
North Wilkesboro

PENNSYLVANIA

Mt. Jewett
Philadelphia
St. Marys

